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CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1411

Introduced by Assembly Members V. Manuel Pérez and Alejo
(Principal coauthor: Senator DeSaulnier)
(Coauthors: Senators Price and Rubio)

March 10, 2011

An act to amend Sections 7071, 7072, 7073.1, 7076, 7076.1, 7081, 7085, 7085.1, 7085.5, and 7114.2 of the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 1411, as amended, V. Manuel Pérez. Economic development: enterprise zones.

The Enterprise Zone Act provides for the designation and oversight by the Department of Housing and Community Development of various types of economic development areas throughout the state, including enterprise zones, targeted tax areas, local agency military base recovery areas (LAMBRA's), and manufacturing enhancement areas, collectively known as geographically targeted economic development areas, or

G-TEDAs. Pursuant to these provisions, qualifying entities in those areas may receive certain tax and regulatory incentives.

This bill would revise various definitions for purposes of the act and modify specified requirements for designating and administering enterprise zones, LAMBRAs, and G-TEDAs, collectively. The bill would impose new requirements on the Department of Housing and Community Development with respect to the enterprise zone program and modify department and Franchise Tax Board reporting requirements.

Existing law, the Enterprise Zone Act, authorizes the Department of Housing and Community Development to assess a fee of not more than \$15 on each enterprise zone and manufacturing enhancement area for each application for issuance of a certificate pursuant to specified tax credit provisions. Existing law, the Local Agency Military Base Recovery Area Act, authorizes the Department of Housing and Community Development to assess a fee of not more than \$15 on each local agency military base recovery area for each application for issuance of a certificate pursuant to specified tax credit provisions.

This bill would instead authorize the department to charge a fee for those applications not to exceed the reasonable cost of administering the Enterprise Zone Act or the Local Agency Military Base Recovery Area Act, respectively, but not to exceed \$20. The bill would require any increase in the fee higher than the amount that was charged by the department as of January 1, 2013, to be adopted by regulation.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 7071 of the Government Code is amended
- 2 to read:
- 3 7071. The Legislature finds and declares as follows:
- 4 (a) The health, safety, and welfare of the people of California
- 5 depend upon the development, stability, and expansion of private
- 6 business, industry, and commerce, and there are certain areas within
- 7 the state that are economically depressed due to a lack of
- 8 investment in the private sector. Therefore, it is declared to be the
- 9 purpose of this chapter to help stabilize local communities, alleviate
- 10 poverty, and enhance the state’s economic prosperity through the
- 11 streamlining and expediting of licensing and permitting of
- 12 development-related activities and the implementation of publicly

1 and privately funded programs and services that stimulate business
2 and industrial growth in the depressed areas of the state.

3 (b) The geographically targeted economic development area
4 (G-TEDA) programs are based on the economic principle that
5 targeting significant incentives to lower income communities
6 allows these communities to more effectively compete for new
7 businesses and retain existing businesses, which results in increased
8 tax revenues, less reliance on social services, and lower public
9 safety costs. Residents and businesses also directly benefit from
10 these more sustainable economic conditions through improved
11 neighborhoods, business expansion, and job creation.

12 (c) Therefore, it is in the economic interest of the state to have
13 one strong, combined, and business-friendly and community
14 development-friendly incentive program to help attract business
15 and industry to the state, to help retain and expand existing state
16 business and industry, and to create increased job opportunities
17 for all Californians.

18 (d) This chapter shall not be construed to infringe upon
19 regulations relating to the civil rights, equal employment rights,
20 equal opportunity rights, or fair housing rights of any person.

21 SEC. 2. Section 7072 of the Government Code is amended to
22 read:

23 7072. For purposes of this chapter, the following definitions
24 shall apply:

25 (a) “Department” means the Department of Housing and
26 Community Development.

27 (b) “Date of original designation” means the earlier of the
28 following:

29 (1) The date the eligible area receives designation as an
30 enterprise zone by the department pursuant to this chapter.

31 (2) In the case of an enterprise zone deemed designated pursuant
32 to subdivision (e) of Section 7073, the date the enterprise zone or
33 program area received original designation by the former Trade
34 and Commerce Agency pursuant to Chapter 12.8 (commencing
35 with Section 7070) or Chapter 12.9 (commencing with Section
36 7080), as those chapters read prior to January 1, 1997.

37 (c) “Eligible area” means any of the following:

38 (1) (A) An area designated as an enterprise zone pursuant to
39 Chapter 12.8 (commencing with Section 7070), as it read prior to
40 January 1, 1997, or as a targeted economic development area,

1 neighborhood development area, or program area pursuant to
2 Chapter 12.9 (commencing with Section 7080), as it read prior to
3 January 1, 1997.

4 (B) A geographic area within census tracts of the proposed
5 eligible area with a median household income for a family of four
6 that does not exceed 80 percent of the statewide median income
7 for the most recently available calendar year, as well as meeting
8 at least one of the following criteria:

9 (i) The census tracts within the proposed eligible area have an
10 unemployment rate not less than 3 percentage points above the
11 statewide average for the most recent calendar year as determined
12 by the Employment Development Department.

13 (ii) The census tracts for the proposed eligible area are served
14 by public schools that have more than 70 percent of the children
15 enrolled in the federal free lunch program.

16 (iii) The area within the proposed zone has experienced
17 significant distress factors, as defined by the department, including,
18 but not limited to, a history of significant gang-related activity,
19 high crime rates, or a significant number of plant or business
20 closures, or all of these.

21 (2) The amendments made to this subdivision during the
22 2011–12 Regular Session shall apply only to requests for proposals
23 issued on or after January 1, 2013.

24 (d) “Enterprise zone” means any area within a city, county, or
25 city and county that is designated as an enterprise zone by the
26 department in accordance with Section ~~7073~~: 7073.

27 (e) “Governing body” means a county board of supervisors or
28 a city council, as appropriate.

29 (f) “G-TEDA” means a geographically targeted economic
30 development area, which is an area designated as an enterprise
31 zone, a manufacturing enhancement area, a targeted tax area, or a
32 local agency military base recovery area.

33 (g) “High-technology industries” includes, but is not limited to,
34 the computer, biological engineering, electronics, and
35 telecommunications industries.

36 (h) “Resident,” unless otherwise defined, means a person whose
37 principal place of residence is within a targeted employment area.

38 (i) “Rural city” means a city with a population under 75,000
39 that, in whole or in part, is located in an area designated as
40 “frontier” or “rural” on the California Medical Service Study Areas

1 map, as it was published in September 2010 or more recently
2 updated by the Office of Statewide Health Planning and
3 Development.

4 (j) (1) “Targeted employment area” means an area within a
5 city, county, or city and county that is composed solely of those
6 census tracts designated by the United States Department of
7 Housing and Urban Development as having at least 51 percent of
8 its residents of low- or moderate-income levels, using either the
9 most recent United States Census Bureau data available at the time
10 of the original enterprise zone application or the most recent United
11 States Census Bureau data available at the time the targeted
12 employment area is designated to determine that eligibility. The
13 purpose of a “targeted employment area” is to encourage businesses
14 in an enterprise zone to hire eligible residents of certain geographic
15 areas within a city, county, or city and county. A targeted
16 employment area may be, but is not required to be, the same as all
17 or part of an enterprise zone. A targeted employment area’s
18 boundaries need not be contiguous. A targeted employment area
19 does not need to encompass each eligible census tract within a
20 city, county, or city and county. The governing body of each city,
21 county, or city and county that has jurisdiction of the enterprise
22 zone shall identify those census tracts whose residents are in the
23 most need of this employment targeting. Only those census tracts
24 within the jurisdiction of the city, county, or city and county that
25 has jurisdiction of the enterprise zone may be included in a targeted
26 employment area.

27 (2) At least a part of each eligible census tract within a targeted
28 employment area shall be within the territorial jurisdiction of the
29 city, county, or city and county that has jurisdiction for an
30 enterprise zone. If an eligible census tract encompasses the
31 territorial jurisdiction of two or more local governmental entities,
32 all of those entities shall be a party to the designation of a targeted
33 employment area. However, any one or more of those entities, by
34 resolution or ordinance, may specify that it shall not participate in
35 the application as an applicant, but shall agree to complete all
36 actions stated within the application that apply to its jurisdiction,
37 if the area is designated.

38 (3) Each local governmental entity of each city, county, or city
39 and county that has jurisdiction of an enterprise zone shall approve,
40 by resolution or ordinance, the boundaries of its targeted

1 employment area, regardless of whether a census tract within the
 2 proposed targeted employment area is outside the jurisdiction of
 3 the local governmental entity.

4 (4) (A) Within 180 days of updated United States Census
 5 Bureau data becoming available, each local governmental entity
 6 of each city, county, or city and county that has jurisdiction of an
 7 enterprise zone shall approve, by resolution or ordinance,
 8 boundaries of its targeted employment area reflecting the new
 9 census data. If no changes are necessary to the boundaries based
 10 on the most current census data, the enterprise zone may send a
 11 letter to the department stating that a review has been undertaken
 12 by the respective local governmental entities and no boundary
 13 changes are required.

14 (B) A targeted employment area boundary approved prior to
 15 the 2000 United States census data becoming available that has
 16 not been reviewed and its boundaries revised to reflect the most
 17 recent census data, shall be reviewed and updated, and a new
 18 resolution or ordinance submitted by the appropriate local
 19 governmental entity to the department, by July 1, 2007. However,
 20 enterprise zones that expire on or prior to December 31, 2008,
 21 shall be exempt from the update requirement.

22 (k) *“LAMBRA” means a local agency military base recovery*
 23 *area.*

24 SEC. 3. Section 7073.1 of the Government Code is amended
 25 to read:

26 7073.1. (a) A city, county, or city and county with an eligible
 27 area within its jurisdiction may complete a preliminary application
 28 for designation as an enterprise zone. The applying entity shall
 29 establish definitive boundaries for the proposed enterprise zone
 30 and the targeted employment area. An entity may propose zones
 31 in areas with noncontiguous boundaries, and the department may
 32 designate those areas as zones if the director determines both of
 33 the following:

34 (1) The noncontiguous area is needed to implement the
 35 applicant’s economic development strategy.

36 (2) The excluded area between the proposed zone boundaries
 37 would not, based on the proposed economic strategy, also benefit
 38 from the zone designation.

39 (b) (1) In designating enterprise zones, the department shall
 40 select from the applications submitted those proposed enterprise

1 zones that, upon a comparison of all of the applications submitted,
2 indicate that they propose the most appropriate economic
3 development strategy and implementation plan utilizing state and
4 local programs and incentives to create jobs, attract private sector
5 investment, and improve the economic conditions within the zone
6 proposed. The department shall prescribe a format that promotes
7 succinct and focused strategies and plans, and set minimum
8 standards for the strategies and plans. For the purposes of this
9 subdivision, important elements of a strategy or plan may include,
10 but are not limited to, all of the following:

11 (A) An assessment of current financial and community
12 development strengths, needs, and opportunities.

13 (B) A framework for investment of time, action, and money.

14 (C) Clear articulation of goals.

15 (D) Measurable objectives, including targets.

16 (E) Proposed implementation activities and tasks, including
17 timeframes, and a framework for evaluating performance, including
18 qualitative and quantitative benchmarks.

19 (F) An identification of local resources, including incentives,
20 the jurisdiction will utilize to implement the strategy or plan and
21 how those resources will help to leverage or maximize the benefit
22 of state resources that become available for enterprise zone
23 communities.

24 (2) For purposes of this subdivision, local resources may include,
25 but are not limited to, all of the following:

26 (A) The suspension or relaxation of locally originated or
27 modified building codes, zoning laws, general development plans,
28 or rent controls.

29 (B) The elimination or reduction of fees for applications,
30 permits, and local government services.

31 (C) The establishment of a streamlined permit process.

32 (D) Elimination or reduction of construction taxes or business
33 license taxes.

34 (E) The provision or expansion of infrastructure.

35 (F) The targeting of federal block grant moneys, including small
36 cities, education, and health and welfare block grants.

37 (G) The targeting of economic development grants and loan
38 moneys, including grant and loan moneys provided by the United
39 States Department of Housing and Urban Development.

- 1 (H) The targeting of state and federal job disadvantaged and
2 vocational education grant moneys, including moneys provided
3 by the federal Workforce Investment Act of 1998 (Public Law
4 105-220), or its successor.
- 5 (I) The targeting of federal or state transportation grant moneys.
- 6 (J) The targeting of federal or state low-income housing and
7 rental assistance moneys.
- 8 (K) The use of tax allocation bonds, special assessment bonds,
9 bonds under the Mello-Roos Community Facilities Act of 1982
10 (Chapter 2.5 (commencing with Section 53311) of Part 1 of
11 Division 2 of Title 5), industrial development bonds, revenue
12 bonds, private activity bonds, housing bonds, bonds issued pursuant
13 to the Marks-Roos Local Bond Pooling Act of 1985 (Article 4
14 (commencing with Section 6584) of Chapter 5), certificates of
15 participation, hospital bonds, redevelopment bonds, school bonds,
16 and all special provisions provided for under federal tax law for
17 enterprise community or empowerment zone bonds.
- 18 (L) Local financing authorities.
- 19 (M) Federal Workforce Investment Act moneys and programs
20 funded with those moneys.
- 21 (N) Federal Community Development Block Grant Program
22 moneys.
- 23 (O) CalWORKs funding and other related resources.
- 24 (P) Local education entities, including K-12, adult education,
25 community colleges, and public and private universities.
- 26 (3) When designating new enterprise zones, the department
27 shall take into consideration the location of existing zones and
28 make every effort to locate new zones in a manner that will not
29 adversely affect any existing zones.
- 30 (4) When reviewing and ranking new enterprise zone
31 applications, the department shall give bonus points to applications
32 from jurisdictions that meet minimum threshold points and at least
33 both of the following criteria:
 - 34 (A) The percentage of households within the census tracts of
35 the proposed enterprise zone area, the income of which is below
36 the poverty level, is at least 17.5 percent.
 - 37 (B) The average unemployment rate for the census tracts of the
38 proposed enterprise zone area was not less than five percentage
39 points above the statewide average for the most recent calendar
40 year as determined by the Employment Development Department.

1 (5) Except as modified pursuant to paragraph (4), applications
2 shall be ranked by the appropriateness of the economic
3 development strategy and implementation plan, including all of
4 the following:

5 (A) The extent the strategy clearly identifies the local resources,
6 incentives, and programs that will be made available to the zone
7 for meeting its goals and objectives.

8 (B) The extent the strategy provides for attracting private sector
9 investment.

10 (C) The extent the strategy includes related regional and
11 community-based partnerships for achieving the goals and
12 objectives in the strategy.

13 (D) The extent the strategy fits within the jurisdiction's overall
14 economic development strategy, including the extent the strategy
15 and implementation plan is appropriate for the local community.

16 (E) The extent the strategy addresses the hiring and retention
17 of unemployed or underemployed residents or low-income
18 individuals in the proposed zone and surrounding areas.

19 (F) The extent the strategy sets reasonable and measurable
20 benchmarks, goals, and objectives.

21 (G) The extent the strategy sets forth an appropriate funding
22 schedule for management, oversight, and program delivery within
23 the zone relative to the benchmarks, goals, and objectives in the
24 strategy.

25 (H) The extent that the economic development strategy has a
26 comprehensive incentive package for attracting private investment
27 to the enterprise zone.

28 (c) For applications for enterprise zone designation submitted
29 on or after January 1, 2013, both of the following shall apply:

30 (1) If any portion of the proposed zone is within, or previously
31 was within, the boundaries of a previously designated enterprise
32 zone, the aggregate size of the proposed zone shall not exceed the
33 size of the previously designated and expanded enterprise zone by
34 more than 15 percent. *For a proposed zone located in a rural city*
35 *or in a county with a population under 275,000, the proposed zone*
36 *shall not exceed the size of the previously designated zone and*
37 *expanded enterprise zone by more than 25 percent.*

38 (2) If any portions of the proposed zone are within, or previously
39 were within, the boundaries of two or more previously designated
40 enterprise zones, the aggregate size of the proposed zone shall not

1 exceed the size of the largest single previously designated and
2 expanded enterprise zone by more than 15 percent.

3 (d) In evaluating applications for designation, the department
4 shall ensure that applications are not disqualified solely because
5 of technical deficiencies, and shall provide applicants with an
6 opportunity to correct the deficiencies. Applications shall be
7 disqualified if the deficiencies are not corrected within two weeks.

8 (e) Except upon dedesignation pursuant to subdivision (c) of
9 Section 7076.1, Section 7076.2, or Section 7085.1, a designation
10 made by the department shall be binding for a period of 15 years
11 from the date of the original designation.

12 (f) The applicant shall be required to begin implementation of
13 the enterprise zone plan contained in the final application within
14 six months after notification of final designation, or the enterprise
15 zone shall be dedesignated.

16 (g) (1) This section shall apply only to enterprise zone
17 applications for which the department has issued a solicitation for
18 new enterprise zone designations on or after January 1, 2007.

19 (2) The amendments made to this section during the 2011–12
20 Regular Session shall apply only to enterprise zone applications
21 for which the department has issued a solicitation for new
22 enterprise zone designations on or after January 1, 2013.

23 SEC. 4. Section 7076 of the Government Code is amended to
24 read:

25 7076. (a) The department shall serve as a liaison between the
26 state and enterprise zone residents, businesses, workers, nonprofit
27 organizations, and local governments. State agencies and
28 departments shall affirmatively support their statutory
29 responsibilities under this chapter and, consistent with their
30 statutory duties, respond to requests made by and on the behalf of
31 an enterprise zone.

32 (b) (1) The department shall provide technical assistance to the
33 enterprise zones designated pursuant to this chapter with respect
34 to all of the following activities:

35 (A) Furnish limited onsite assistance to the enterprise zones
36 when appropriate.

37 (B) Ensure that the locality has developed a method to make
38 residents, businesses, and neighborhood organizations aware of
39 the opportunities to participate in the program.

1 (C) Help the locality develop a marketing program for the
2 enterprise zone.

3 (D) Coordinate activities of other state agencies regarding the
4 enterprise zones.

5 (E) Monitor the progress of the program.

6 (F) Help businesses to participate in the program.

7 (2) Notwithstanding existing law, the provision of services in
8 subparagraphs (A) to (F), inclusive, shall be a high priority of the
9 department.

10 (3) The department may, at its discretion, undertake other
11 activities in providing management and technical assistance for
12 successful implementation of this chapter.

13 (c) The department shall assess a fee on each enterprise zone
14 and manufacturing enhancement area for each application for
15 issuance of a certificate pursuant to subdivision (j) of Section
16 17053.47 of, subdivision (c) of Section 17053.74 of, subdivision
17 (c) of Section 23622.7 of, or subdivision (i) of Section 23622.8
18 of, the Revenue and Taxation Code, not to exceed the reasonable
19 cost of administering this chapter, but not to exceed twenty dollars
20 (\$20). If the department increases the fee higher than the amount
21 that was charged by the department as of January 1, 2013, then
22 the department shall adopt the fee increase by regulation. The
23 department shall collect the fee for deposit into the Enterprise Zone
24 Fund, pursuant to Section 7072.3, for the costs of administering
25 this chapter. The enterprise zone or manufacturing enhancement
26 area administrator shall collect this fee at the time an application
27 is submitted for issuance of a certificate.

28 (d) (1) (A) The department shall maintain, and post on its
29 Internet Web site, a catalog of all administrative memoranda in
30 effect that implement this chapter, including the subject matter of
31 the memoranda and the effective dates of their publication,
32 modification, or repeal, along with the text of the memoranda.

33 (B) The department shall post on its Internet Web site the
34 publication, modification, or repeal of any of those administrative
35 memoranda, within 10 business days of that publication,
36 modification, or repeal.

37 (2) The department shall post on its Internet Web site enterprise
38 zone and targeted employment area boundary approvals,
39 modifications, and repeals within 10 business days of the approval,
40 modification, or repeal becoming final.

1 SEC. 5. Section 7076.1 of the Government Code is amended
2 to read:

3 7076.1. (a) The department may audit the program of any
4 jurisdiction in any designated G-TEDA at any time during the
5 duration of the designation, as appropriate. However, the
6 department shall audit each G-TEDA at least once every five years
7 from the date of designation or the operative date of this section,
8 whichever is the latest. The matters to be examined in the course
9 of an audit shall include an examination of the progress made by
10 the G-TEDA toward meeting the goals, objectives, and
11 commitments set forth in its original application and the
12 department's memorandum of understanding with the G-TEDA.

13 (b) The department shall, for each audit, determine a result of
14 superior, pass, or fail in accordance with subdivision (c). The
15 results of each audit shall be based upon the success of the
16 G-TEDA in making substantial and sustained efforts since the later
17 of its designation or last audit to meet the standards, criteria, and
18 conditions contained in the application and the memorandum of
19 understanding (MOU) between the department and the G-TEDA,
20 as may be amended pursuant to the agreement of the G-TEDA and
21 the department. In each audit, the department shall focus upon the
22 G-TEDA's use of the marketing plan, local incentives, financing
23 programs, job development, and program management as described
24 in the application and the MOU. The department shall also evaluate
25 the vouchering plan, staffing levels, budget, and elements unique
26 to each application.

27 (c) For purposes of subdivision (b), an audit determination of
28 superior, pass, or fail shall be made in accordance with the
29 following:

30 (1) A G-TEDA will be determined to be superior if each
31 jurisdiction comprising the G-TEDA does all of the following:

32 (A) Meets 90 to 100 percent of its goals, objectives, and
33 commitments as defined in its application, most recent audit,
34 biennial report, and memorandum of understanding with the
35 department, and as determined by the department in consultation
36 with the G-TEDA. An equivalent or similar commitment may be
37 substituted for an existing commitment of a G-TEDA if it is
38 determined by the department that an original commitment was
39 not realistically practical or is no longer relevant.

1 (B) Demonstrates that it has reviewed and updated its goals,
2 objectives, and commitments as defined in its original application,
3 most recent audit, biennial report, and memorandum of
4 understanding with the department.

5 (C) Identifies to the department's satisfaction that it has
6 incorporated economic development commitments in addition to
7 those commitments previously made in its application.

8 (2) (A) A G-TEDA will be determined to be passing if each
9 jurisdiction comprising the area meets 75 to 90 percent of its goals,
10 objectives, or commitments as defined in its original application,
11 most recent audit, biennial report, and memorandum of
12 understanding with the department, and as determined by the
13 department in consultation with the G-TEDA. An equivalent or
14 similar commitment may be substituted for an existing commitment
15 of a G-TEDA if it is determined by the department that an original
16 commitment was not realistically practical or is no longer relevant.

17 (B) Any G-TEDA that is determined to be passing may appeal
18 in writing to the department for a determination of superior. Only
19 one appeal may be filed pursuant to this subparagraph with respect
20 to a determination by the department, and may be filed no later
21 than 30 days after the G-TEDA's receipt of the determination to
22 which the appeal pertains. The department shall respond in writing
23 to any appeal that is properly filed pursuant to this subparagraph
24 within 60 days of the date of that filing.

25 (3) (A) A G-TEDA will be determined to be failing if any
26 jurisdiction comprising the G-TEDA fails to meet or exceed 75
27 percent of its goals, objectives, or commitments as defined in its
28 original application, most recent audit, biennial report, and
29 memorandum of understanding with the department, and as
30 determined by the department in consultation with the G-TEDA.
31 An equivalent or similar commitment may be substituted for an
32 existing commitment of a G-TEDA if it is determined by the
33 department that an original commitment was not realistically
34 practical or is no longer relevant.

35 (B) Any G-TEDA that is determined to be failing shall enter
36 into a written agreement with the department that specifies those
37 items that the G-TEDA is required to remedy or improve. Failure
38 of the G-TEDA and the department to negotiate and enter into a
39 written agreement as so described within 60 days of the last day
40 upon which the department is required to deliver a response letter

1 pursuant to subparagraph (C) of paragraph (4) shall result in the
2 dedesignation of the G-TEDA on January 1 immediately following
3 the department's written notice of dedesignation to the G-TEDA.

4 (C) A written agreement entered into pursuant to this paragraph
5 shall be for a six-month period. If, upon the expiration of the
6 agreement, the department determines that the G-TEDA has not
7 met or implemented at least 75 percent of the conditions set forth
8 in the agreement, the department shall, after immediately providing
9 written notification to each jurisdiction comprising the G-TEDA
10 that the G-TEDA is to be dedesignated. Dedesignation of the
11 G-TEDA is effective on the first day of the month next following
12 the date upon which the agreement expired. If, upon expiration of
13 the agreement, the department determines that the G-TEDA has
14 met or implemented at least 75 percent of the conditions set forth
15 in the agreement, the department shall do either of the following:

16 (i) Allow the G-TEDA an additional year, or a longer period in
17 the department's discretion, to meet or implement those conditions
18 in their entirety.

19 (ii) Pursuant to written notice provided immediately to each
20 jurisdiction that comprises the G-TEDA that the G-TEDA is to be
21 dedesignated, dedesignate the G-TEDA effective on January 1
22 immediately following the date of the department's written
23 notification of dedesignation to those jurisdictions.

24 (D) Any business, located within any jurisdiction that comprises
25 a G-TEDA that has been dedesignated, that has elected to avail
26 itself of any state tax incentive specifically applicable to a G-TEDA
27 for any taxable or income year beginning prior to the dedesignation
28 of the G-TEDA may, to the extent the business is otherwise still
29 eligible for those incentives, continue to avail itself of those
30 incentives for a period equal to the remaining life of the G-TEDA.
31 However, any business, located within any jurisdiction that
32 comprises a G-TEDA that has been dedesignated, that has not
33 availed itself of any state tax incentive in the manner described in
34 the preceding sentence may not, after dedesignation of the
35 G-TEDA, avail itself of any state incentive specifically applicable
36 to a G-TEDA.

37 (4) (A) Notwithstanding paragraphs (1) to (3), inclusive, a
38 G-TEDA shall be determined to be failing if any jurisdiction
39 comprising the G-TEDA, in the determination of the director,
40 provides funding support in at least three of the previous five years

1 at a level that is less than 75 percent of the amount committed to
2 in the G-TEDA's memorandum of understanding with the
3 department.

4 (B) In the event that a G-TEDA is determined to be failing
5 pursuant to this paragraph, subparagraph (B) of paragraph (3) shall
6 apply.

7 (C) Any G-TEDA that is determined to be failing pursuant to
8 this paragraph may appeal in writing to the department. The appeal
9 shall be filed within 30 days of the G-TEDA's receipt of the
10 determination to which the appeal pertains. The department shall
11 respond in writing to any appeal that is properly filed within 60
12 days of the date of filing.

13 (d) In undertaking its audit responsibilities pursuant to this
14 section, the department shall seek appropriate opportunities to
15 provide technical assistance and training to help G-TEDAs address
16 inadequacies identified through the audit of the program.
17 Assistance may include, but is not limited to, workshops, mentoring
18 programs, and referrals to other federal, state, and local public and
19 private entities.

20 (e) (1) For purposes of this section, "dedesignation" means that
21 a G-TEDA is no longer a G-TEDA for purposes of either Section
22 7073 or 7085.

23 (2) Upon notification by the department of the dedesignation
24 of a G-TEDA and the end of the appeal period with respect to that
25 dedesignation, the department shall initiate an application process
26 for a new designation as provided in Section 7073, 7073.8, 7085,
27 7097, or 7114.

28 (f) In addition to any other oversight activities that the
29 department determines are appropriate and necessary, the
30 department shall review the progress reports submitted by a
31 G-TEDA pursuant to Section 7085.1 and determine whether an
32 audit is warranted.

33 SEC. 6. Section 7081 of the Government Code is amended to
34 read:

35 7081. (a) Notwithstanding any other provision of state law,
36 and to the extent permitted by federal law, the Employment
37 Development Department and the State Department of Education
38 shall give high priority to the training of unemployed individuals
39 who reside in a targeted employment area or a designated enterprise
40 zone.

1 (b) When developing workforce development and training plans
2 and strategies, including, but not limited to, plans, activities, and
3 responsibilities related to Section 14010 of the Unemployment
4 Insurance Code or accessing or allocating funds from the federal
5 Workforce Development Act of 1998 (Public Law 105-220), a
6 state entity shall consider how the G-TEDA programs could be
7 integrated so as to maximize the benefits to workers and businesses.

8 (c) The department may assist localities in designating local
9 business, labor, and education consortia to broker activities between
10 the employment community and educational and training
11 institutions. Any available discretionary funds may be used to
12 assist the creation of those consortia.

13 (d) Local education entities that administer student work permits
14 shall consider how enterprise zone program hiring credits could
15 be used to benefit lower income students who apply for work
16 permits at their offices.

17 SEC. 7. Section 7085 of the Government Code is amended to
18 read:

19 7085. (a) In addition to the information it makes available
20 biennially pursuant to subdivision (e) of Section 7085.1, the
21 department shall submit a report to the Legislature every six years
22 that evaluates the effect of the program on retaining and increasing
23 employment among targeted populations as described in
24 subdivision (c), public and private investment, and incomes, and
25 on state and local tax revenues in designated enterprise zones. The
26 report shall include a department review of the progress and
27 effectiveness of each enterprise zone, including, but not limited
28 to, any efforts made regarding training and placement of
29 unemployed individuals pursuant to Section 7081. The
30 Employment Development Department, the State Department of
31 Social Services, and the State Department of Education shall, for
32 the purposes of the report, provide the department with existing
33 data on unemployed individuals receiving training. The Department
34 of General Services shall provide information on the use and
35 outcomes that the department tracks relating to the enterprise zone
36 procurement preference.

37 (b) An enterprise zone governing body shall provide information
38 at the request of the department as necessary for the department
39 to prepare the report required pursuant to subdivision (a).

1 (c) Targeted populations included within the report required
2 pursuant to subdivision (a) shall include, but not be limited to, the
3 disabled, disabled veterans, individuals formerly on forms of
4 federal and state assistance, individuals within the targeted
5 employment areas, ex-offenders, and veterans.

6 (d) The base year for the report required pursuant to subdivision
7 (a) shall be the calendar year commencing January 1, 2013.

8 SEC. 8. Section 7085.1 of the Government Code is amended
9 to read:

10 7085.1. (a) The governing board of the G-TEDA shall report
11 to the department by October 1, 2008, and by that date every other
12 year thereafter, on the activities of the G-TEDA in the previous
13 two fiscal years and its plans for the current and following fiscal
14 year. The biennial report shall include at least all of the following:

15 (1) The progress the G-TEDA has made during the period
16 covered by the report relative to its goals, objectives, and
17 commitments set forth in its original application and the
18 department's memorandum of understanding with the G-TEDA.

19 (2) Identification of the previous two years' funding, including
20 in-kind funding. The previous two years' funding levels shall be
21 compared to the funding levels identified in its original application
22 and the department's memorandum of understanding with the
23 G-TEDA, and the amount identified in the previous biennial report.
24 An explanation of any meaningful discrepancies in these amounts
25 shall be provided.

26 (3) Identification of the financial value of local incentives
27 provided during the report period, and of federal and other state
28 resources accessed to serve the residents, workers, and businesses
29 in the G-TEDA.

30 (4) Information aggregated from certification applications
31 approved in the zones relating to the hiring credit. The type of
32 information may include, but not be limited to, the number of jobs
33 for which certifications have been issued and the wage rates and
34 the number and size of the businesses utilizing the program.

35 (5) Information on the number of state-certified disabled
36 veteran-owned business enterprises that submitted applications
37 for employee certification.

38 (b) The progress of the G-TEDA in meeting the goals,
39 objectives, and commitments set forth in the original application
40 and the memorandum of understanding with the department shall

1 be reviewed at least biennially by the legislative bodies comprising
2 the G-TEDA.

3 (c) An enterprise zone governing body shall provide information
4 at the request of the department as necessary for the department
5 to prepare the report required pursuant to this section and Section
6 7085.

7 (d) (1) G-TEDAs designated prior to January 1, 2007, shall
8 have until April 15, 2008, to update their benchmarks, goals,
9 objectives, and funding levels for administering the G-TEDA
10 program, in order to make them measurable and conducive to the
11 successful completion of the economic development strategy. The
12 local legislative body and the department shall approve the updated
13 goals and objectives. The updated goals and objectives shall be
14 included as an update to the existing memorandum of
15 understanding between the G-TEDA and the department.

16 (2) G-TEDAs that fail to obtain approved updated goals and
17 objectives by April 15, 2008, shall be dedesignated effective July
18 1, 2008. The Director of Housing and Community Development
19 shall provide notice of prospective dedesignation to the local
20 government no later than May 1, 2008. The director may authorize
21 up to two 60 calendar day extensions, if the local government and
22 G-TEDA are acting in good faith and the additional time would
23 allow them to meet the requirements of this subdivision. Businesses
24 located within a G-TEDA that have been dedesignated shall
25 continue to have access to tax incentives previously authorized
26 within the G-TEDA pursuant to Section 7082.2.

27 (3) G-TEDAs designated prior to January 1, 2007, are not
28 required to implement the biennial reporting requirements of
29 subdivisions (a) and (b) until October 1, 2009.

30 (4) G-TEDAs that expire prior to January 1, 2010, are not
31 required to meet the conditions of this subdivision.

32 (e) The department shall biennially, beginning on or before
33 December 31, 2008, make available to the Legislature information
34 related to the progress that each G-TEDA is making toward
35 implementing its goals, objectives, and commitments set forth in
36 the original application, the department's memorandum of
37 understanding with the G-TEDA, and the G-TEDA's biennial
38 report.

39 (f) G-TEDAs that fail to submit a timely biennial report to the
40 department shall be audited pursuant to Section 7076.1. This

1 subdivision shall apply to all reports due on or after October 1,
2 2013.

3 SEC. 9. Section 7085.5 of the Government Code is amended
4 to read:

5 7085.5. The Franchise Tax Board shall annually make available
6 to the department and the Legislature information, to the extent it
7 is reasonably available, by enterprise zone and by city or county,
8 on the dollar value of the G-TEDA tax credits and other G-TEDA
9 tax incentives that are claimed each year by businesses and shall
10 design and distribute forms and instructions that will allow the
11 following information to be accessible:

12 (a) The total number of jobs for which the hiring credits are
13 claimed.

14 (b) The number of businesses claiming each individual tax
15 credit.

16 (c) The nature of the business claiming each individual tax
17 credit.

18 (d) The distribution of zone tax incentives among industry
19 groups.

20 (e) The distribution of zone tax incentives by the annual receipts
21 and asset value of the business claiming each individual tax credit.

22 (f) ~~The total amount of capital investments made, as well as the~~
23 ~~value of the total amount of credit claimed by businesses under~~
24 ~~the sales and use tax credit~~ *cost of qualified property put into*
25 *service within enterprise zones and LAMBRA during the previous*
26 *five taxable years. In determining these amounts, qualified property*
27 *put into service within enterprise zones shall have the same*
28 *meaning as defined in Sections 17053.70 and 23612.2 of the*
29 *Revenue and Taxation Code, and qualified property put into service*
30 *within a LAMBRA shall have the same meaning as defined in*
31 *Sections 17053.45 and 23645 of the Revenue and Taxation Code.*

32 (g) Any other information that the Franchise Tax Board and the
33 department deem to be important in determining the cost to, and
34 benefit derived by, the taxpayers of the state.

35 SEC. 10. Section 7114.2 of the Government Code is amended
36 to read:

37 7114.2. (a) The department shall assess each LAMBRA a fee
38 for each application for issuance of a certificate pursuant to
39 subdivision (c) of Section 17053.46 of the Revenue and Taxation
40 Code and subdivision (c) of Section 23646 of the Revenue and

1 Taxation Code, not to exceed the reasonable cost of administering
2 this chapter, but not to exceed twenty dollars (\$20). If the
3 department increases the fee higher than the amount that was
4 charged by the department as of January 1, 2013, then the
5 department shall adopt the fee increase by regulation. The
6 department shall collect the fee for deposit into the Enterprise Zone
7 Fund, pursuant to Section 7072.3, for the costs of administering
8 this chapter. The LAMBRA administrator shall collect this fee at
9 the time an application is submitted for issuance of a certificate.

10 (b) The department shall adopt regulations governing the
11 imposition and collection of fees pursuant to this section and the
12 issuance of certificates pursuant to subdivision (c) of Section
13 17053.46 of the Revenue and Taxation Code and subdivision (c)
14 of Section 23646 of the Revenue and Taxation Code. The
15 regulations shall provide for a notice or invoice to fee payers as
16 to the amount and purpose of the fee. The adoption of the
17 regulations shall be deemed to be an emergency and necessary for
18 the immediate preservation of the public peace, health and safety,
19 or general welfare. Notwithstanding subdivision (e) of Section
20 11346.1, the regulations shall remain in effect for no more than
21 360 days unless the agency complies with all the provisions of
22 Chapter 3.5 (commencing with Section 11340) of Part 1 of Division
23 3 of Title 2 as required by subdivision (e) of Section 11346.1.